

Magni Client Information – Post Embargo

Talking Points on International Equity Research and Investing

September 2014

Market Performance

- The top three performing countries in August were Brazil, Egypt, and Peru.
 - The bottom three performing countries in August were Turkey, Israel, and Italy.
- It should be noted that these monthly results are within normal ranges.

Scottish Independence Vote

- By a surprisingly close margin Scotland voted to remain a part of the UK. In exchange, Scotland was promised greater autonomy. In many ways this sentiment reflects broader trends of dissatisfaction in many countries. Recent European parliamentary elections resulted in strengthened positions for heretofore fringe parties. Unless European governments respond to the demands of their populations, the long-term goal of greater integration will be in jeopardy.

Britain Corporate Governance

- Britain overhauled its corporate governance code for UK companies. Companies will be required to include a ‘viability statement’ in their strategic report to investors. The statement should provide a picture of the firm’s on-going solvency and liquidity with specific information about the results of annual risk management and internal control system tests. Also remuneration policies should be designed with the long-term success of the company in mind, including the potential to claw-back or withhold variable pay.

Corporate Taxation and International Borders

- The OECD released initial recommendations for international cooperation to combat tax avoidance by multinational enterprises. There is a desire to update international practices, dating back to the 1920’s, to take into account the modern digital economy. Among the issues being addressed is the shifting of intangible assets across borders.

G20 Finance Ministers Meeting

- Participants in the recent G20 meeting pledged to adopt strategies that aim to accelerate global growth by using monetary, fiscal and structural policies, including member commitments to boost infrastructure investment. Meaningful differences emerged on the need for short-term stimulus measures with US Treasury Secretary, Jack Lew, criticizing Europe for failing to do enough to boost domestic demand.

Chile Tax Reform May Harm Growth

- Chile has just passed a major tax overhaul that increases corporate and other taxes, while removing some breaks for education and health-sector improvements. In addition to increasing marginal tax rates, the reform also eliminates credits for companies who reinvest profits.

Switzerland Banking, Securities, and Insurance assessments

- Switzerland’s financial sector is one of the largest in the world, especially relative to GDP. A recent assessment confirms that in the areas of banking, insurance, and securities Switzerland has a world-class regulatory regime, though there are some areas for further improvement. For example, Switzerland should take steps to better enshrine regulatory independence and increase regulatory resources. Overall the system appears healthy, recent stress tests indicate that the banks are robust against even severe shocks.